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**The Role of Banks in the
International Financial System**

**A paper by
Nancy H. Teeters**

Member, Board of Governors of the Federal Reserve System

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It is my pleasure to address this distinguished conference on the timely subject of multinational banking and the world economy. The role of banks in the international financial system increased significantly in the late sixties and throughout most of the seventies as banks from many countries expanded their international activities. International banking has been an important factor contributing to a more integrated and interdependent economic and financial system. As a growing international trading system permits participants to enjoy the benefits of specialization and diversity, a more integrated international financial system enables banks to specialize as lenders or as collectors of deposits on an international basis, depending on the orientation of their customers, which can be of benefit to both savers and borrowers. Expansion of banks into international activities, however, exposes banks to a whole new set of operating risks, although it permits greater asset diversification than can be achieved from a purely domestic portfolio.

The Federal Reserve, as the central bank of the United States, has important policy responsibilities in the area of international banking. As a supervisor of banks and bank holding companies, as an agency with responsibilities for monitoring an effective payments mechanism in the United States, and as a lender to banks through the discount window, the Federal

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Reserve must be aware of foreign as well as domestic factors that influence the condition of individual banks and the banking system. In a world where financial integration is proceeding at a rapid pace at both domestic and international institutions, the central bank must take account of credit extended to U.S. borrowers from offshore sources and of deposits held by U.S. residents at offshore banking offices. These transactions by U.S. residents at banking offices outside the United States are close substitutes in many cases for banking transactions at domestic offices and therefore must be integrated into our interpretation of the U.S. monetary and credit aggregates.

In addition to these responsibilities, the Federal Reserve is also charged with responsibilities for maintaining a safe, competitive, and equitable banking environment in the United States. In this role the Federal Reserve has been active in developing the statutory and regulatory environment in which foreign banks compete in the United States with domestically chartered banks. The International Banking Act of 1978 and subsequent regulations issued by the Federal Reserve and the other U.S. banking agencies have established a broad framework of national treatment for U.S. offices of foreign banks. While sometimes overlooked because of more immediate concern with other issues, the U.S. activities of foreign banks have been an extremely dynamic part of the rapid expansion of international banking. Currently the U.S. offices of foreign banks (including subsidiaries) account for 14 percent of total assets of all banks in the United States, and about 40 percent of the assets of all banks in New York State -- our most important financial center. Indeed these figures would be somewhat larger if they included dollar lending and deposit-taking

transactions with U.S. residents at offices of non-U.S. banks located abroad.

The increasing integration of the world economy and financial system has meant that banking developments in one country can affect the stability of banking activity in other financial centers. Banks of various nationalities are closely linked with each other through the international interbank markets in deposits and foreign exchange. To improve our awareness of these activities, and to exchange information generally on developments in international banking, the Federal Reserve participates in the Committee on Banking Regulations and Supervisory Practices (the Cooke Committee) that meets regularly at the Bank for International Settlements (BIS) in Basle as well as other policy and technical bodies that meet at the BIS.

While each of the three main functions of the Federal Reserve is worthy of a study, I will focus my remarks on the current situation in international lending, including some background analysis of how the current situation evolved and the role played by banking institutions. Before discussing the role of banks, I will review the broad economic setting, since banks do not operate in a vacuum. In fact the condition of banking institutions reflects the general environment in which they operate.

The last decade was characterized by high inflation in the OECD countries on the order of ten percent per annum, compared with about four percent inflation in the previous decade. To a large extent the higher inflation in the seventies resulted from the two oil shocks of 1973-74 and 1979-80, and excessive economic expansion of many OECD countries that failed to sustain effective adjustment policies to the first oil shock as their economies slipped into recession.

Since the second oil-price shock in 1979-80, the policy focus of most OECD countries, including the United States, has been definitely

anti-inflationary. Fiscal policy, when judged on a discretionary basis, generally has been tightened, although actual budget deficits widened because of weak economic activity. Monetary authorities in several countries adopted targets for monetary aggregates with the intention of lowering the inflation rate and not accomodating inflationary pressures from oil price increases or wage claims.

The concerted and simultaneous policy response to inflation has of course had important implications for the international banking and financial system, particularly through its impact on major borrowers. Economic activity in the OECD countries has been very depressed, with rapidly increasing levels of unemployment. The stagnation in the major industrial countries has reduced the export earnings of the developing countries, both in terms of reduced real volume of exports and through the impact on the prices of primary commodities.

A second important impact on the major borrowing countries of the policy focus on reducing inflation has been the rapid rise in real interest rates associated with the monetary restraint programs. Since interest paid on much of the bank debt of these countries is adjusted periodically based upon the costs of funds to the banks, rising real interest rates are translated into rising real costs to borrowers in a very short time period. Projects and development plans that were economically attractive at low or even negative real interest rates have become uneconomic as real interest rates approached the 5-10 percent range. The relatively high levels of real interest rates have in part resulted from demands by investors and depositors for protection against the inflationary environment that dominated the seventies. High real interest rates have of course affected the economic

viability of domestic as well as international investment programs.

The results of these policies in the major industrial countries have been that inflation rates (as shown in Table 1) have fallen more rapidly than generally expected. The success in fighting inflation has not been universal; the United States, Japan, Germany, and lately the United Kingdom have been quite successful in lowering inflation, while in France and Italy inflation remains quite high.

The major conclusion I draw from this brief review of macroeconomic policies in the developed countries is that a fundamental change occurred in 1979-80: namely, that after a decade of inflation these countries are willing to pay a substantial price for a sustained period to reduce inflation because they believe that the long-run costs of inflation outweigh any short-term benefits of increased income and employment. International businesses, both banks and nonbanks, as well as policy making officials in the developing as well as the industrial world, have to adjust their planning strategies to take account of this revised environment.

Adjustment to a new economic and financial environment is a painful experience, particularly when some major participants have made calculations and commitments based upon the previous environment which tended to be more highly inflationary and with significantly lower real interest rates. To a large degree this picture describes the position of borrowing countries that based their development plans and borrowing programs on the expectation of growing markets for their exports and relatively inexpensive costs of external sources of savings. Many of these investment programs had long commitment and gestation periods; thus, it was very difficult to restrain

external needs for additional capital on short notice without severe costs to partially completed investment projects.

While some of the problems of borrowing countries are attributable to the abrupt shift in the international macroeconomic environment, it is simplistic and incorrect to attribute the entire cause of the current difficulties of developing countries to external circumstances. A number of major borrowing countries were pursuing rates of growth that implied growth in external debt of 20-25 percent per year, rates which were clearly unsustainable in any reasonably expected international economic environment. Many countries failed to make significant adjustments to the two oil price shocks. The changes in macroeconomic policies that occurred in 1979 and 1980, and that have been sustained thereafter in the OECD countries, accelerated the onset of difficulties for these countries. It is, however, impressive that a number of countries with well-managed external borrowing programs, primarily but not exclusively in Asia, have retained their creditworthiness internationally despite experiencing the same basic changes that affected those countries currently having difficulties in servicing their existing external indebtedness.

Since the early seventies commercial bank lending to many countries has increased dramatically, and the growth in its share of financial flows to developing countries has been especially notable. As shown in Table 2, borrowings from banks provided almost two-thirds of the financing of the current account deficits and reserve accumulations of the developing countries in the 1975-81 period.

The rapid growth in bank lending helped offset slower rates of growth of official bilateral and multilateral financing. In the mid-seventies IMF resources also dropped to historically low levels relative to global imports and current account balances. Moreover, increased access by member countries to IMF credit, relative to their quotas, placed further strains on IMF resources during most of this period.

Access by developing countries to credit from commercial banks cushioned these countries from the need to adjust to the first oil shock and has delayed and in some cases made more painful their adjustment to the second oil-price shock. A positive result has been that, as shown in Table 3, developing countries have been able to sustain significantly higher rates of real economic growth than the OECD countries. As shown in Table 3, the higher level of developing country growth has been accompanied by a five-fold increase in their external debt, a large increase in the ratio of export earnings that are needed to service external debt, and a decline in the ratio of their international reserves to their external debt from about one fourth in 1973 to one-eighth in 1982.

The increasing participation of banks in international lending has occurred both through participation by more banking institutions and by increases in the exposure of the largest banks, which traditionally have been active in international lending. A survey by a G-30 study group on international banking indicated that in the 1970s about 60 new banks a year became active in international financing. The increased participation by more institutions certainly increased the competitiveness of a market that had traditionally been dominated by a few large institutions, and in part

contributed to lower spreads. Table 4 indicates the growth of total foreign claims and claims on developing countries of the largest U.S. banks. Clearly both total foreign lending and lending to developing countries was growing very rapidly at these institutions, and their lending to developing countries was expanding relative to their assets and capital base.

During the period of the 1970s the supply of bank financing to developing countries was quite elastic, at lending spreads which on an ex post basis appear unjustifiably low in relation to the risks involved in such lending. Indeed, some more forward-looking observers, including my colleague Governor Henry Wallich, expressed concerns before the fact that these lending spreads did not justify the growing levels of bank exposure.

Why did this rapid growth in international lending by banks occur in an environment of relatively low returns? I don't believe there is a simple answer to this question, but several factors appear important. First, international trade was growing more rapidly than purely domestic economic activity, and bank lending was directed towards the more rapidly growing economic sectors. In the United States, exports' share in the total gross national product increased from 6.6 percent in 1970 to 12.5 percent in 1982. As the importance of trade flows increased, individual banks felt themselves under increasing pressure to expand their international activities to service the needs of their traditional corporate customer base. As noted above, this generally rapidly growing sector encouraged entry by an increasing number of financial institutions, which made the market more competitive.

Another important set of factors affecting bank lending were the desires by many countries to support and sustain their economic development programs through recourse to external sources of funds. The oil-price

increases in the 1970s and the relatively stagnant amount of official bilateral and multilateral sources of financing, shown in Table 2, directed an increasing share of this financing to banks. Borrowers facing an elastic supply of funds at rates that appeared attractive did not always tailor their borrowing programs to realistic assumptions about their prospects for general economic growth or their ability to earn foreign exchange. In some cases borrowings were not used to finance additional investment but were utilized at the margin to postpone needed downward adjustments in domestic consumption. A large proportion of the loans were to foreign sovereign borrowers.

Banking institutions proved to be efficient at organizing themselves to provide funds to these borrowers, and the lack of significant problems in these markets encouraged more banks to become active. The banks themselves developed a variety of techniques which made such lending attractive to more institutions. Loans were priced on a frequently adjusted rate basis, which protected the banks from risks of changing interest rates. Other pricing techniques, including the right of some participants to base their pricing on a prime rate basis, afforded smaller banks some protection from external influences on their own pricing structure. The rapid expansion of the international interbank market increased the availability of funding to individual banks.

Perhaps, however, the most significant financing innovation was the syndicated Eurocurrency credit where a large bank, or group of large banks, would put together a borrowing package and an information memorandum, and smaller banks would be able to participate in the credit without any direct contact with the borrower and without the need for any firsthand capability of analyzing the creditworthiness of the borrower. Large amounts of credit

could be raised for a single borrower on short notice, and the mechanism of syndication meant such credits could be widely diffused among banks. Syndicated credits allowed smaller banks to participate in international lending with a limited need to develop their own inhouse analytic and business development capability. In the face of declining domestic loan demand, international lending through participation in loan syndicates allowed many banks to expand their total assets, although not necessarily their return on assets, in a flexible way with a limited need to increase their management capabilities.

Finally, it appears to me that in the latest stages of the expansion of bank lending neither banks nor borrowers were alert to the impending risks of such lending or, to the fact that economic policies would be changed in a fundamental way that would affect the viability of continued international lending. The favorable record of the past lending reduced bank managements' attention to impending problems. The result has been that we have arrived at the current situation in which a number of major borrowers are in the process of restructuring and rescheduling their debts.

Having arrived at a situation which is strained, which appears somewhat disorderly, and which poses a threat to the stability of the international financial system, the important question to be answered is how to set policy to avoid a major disruption to that system in the short run while in the longer-run establishing a system that is less unstable. A satisfactory solution to the current situation will involve a variety of approaches; no simple gimmick or new institution with new borrowing or insuring powers will yield any magical results. A number of the schemes that have been proposed recently involve relatively high costs of public funds

which would have to be appropriated, direct assistance to countries not necessarily in difficulty, and may have undesirable consequences for future bank lending.

As noted earlier, the situation that has developed evolved because of the actions of borrowers, macro-economic policies in industrial countries, and the behavior of lenders including banks. Therefore it appears reasonable that actions to remedy this situation will have to be undertaken by the same participants.

The first two elements of a potential solution are interrelated: more effective adjustment policies by borrowing countries, preferably supported by and approved by the IMF; and, more rapid expansion of the economies of the OECD countries. Both of these measures will reduce the current account financing needs of the borrowing countries. Adjustment is needed by borrowing countries to reduce the growth of their indebtedness to some level below the rate of growth of their GNP or export earnings, and to allow some improvement in the relationship of their external debt to their ability to produce and export. This adjustment period will involve some reduction in their growth aspirations, and we are currently seeing declining rates of growth in several major borrowing countries, and in the short run negative growth in some countries. As we have learned in the United States, adjustment measures may be politically unpopular among some important groups within society. However, once a country establishes a more viable relationship between growth in outstanding debt and other magnitudes, its access to external financing will improve and the rate of growth of external debt should approximate the growth of other economic magnitudes. This will

imply smaller capital inflows than those experienced in recent years.

A second vital adjustment measure is the need for sustained growth in the industrial countries, which would improve the ability of developing countries to export. While experts may disagree on the precise magnitudes, current estimates suggest that every one percent increase in the growth of the OECD countries increases the exports of developing countries on the order of \$5-7 billion. Most recent information indicates that some economic recovery is underway in most industrial countries, and if sustained, will contribute to lessening the debt problem of some major borrowing countries.

While both adjustment by borrowers and faster economic growth in OECD countries will reduce current account deficits, these current account deficits, which should be sharply below the deficits of 1980-81, will of course require financing. It is unrealistic and inappropriate to expect developing countries in the aggregate to shrink their current account deficits to zero, or to bring their current account position into surplus, since this would imply a capital transfer from developing to developed countries. As a structural matter developing countries will continue to need to import capital, and this net importation of capital should help them sustain rates of growth in economic activity that exceed growth rates in the developed countries.

An important source of financing will continue to be banks. Banks have been a major source of financing to borrowing countries, and banks collectively and individually have a large stake in the continued economic viability of these borrowers. Therefore, it is also unrealistic and inappropriate to expect banks which expanded their lending rapidly in recent years to pull back entirely from providing new finance, or worse, attempting

as a group to effect net repayment. While there is always a great danger in mentioning a specific figure, particularly as circumstances can change, an illustrative calculation is that an increase in international bank exposure to non-OPEC developing countries on the order of 7 percent in 1983 would result in an increase in bank claims on these countries on the order of \$15-20 billion, a sharp reduction from new bank credits extended in 1981, and, a further reduction from credits from banks in 1982. This amount of new bank financing would provide a reasonable share of financing of a vastly reduced aggregate current account deficit for these countries. A 7 percent increase in bank exposure combined with an increase in bank capital on the order of 10 percent in 1983 would allow banks to reduce their exposure relative to their capital in 1983, particularly if the increase in exposure is diffused widely throughout the banking system so that a disproportionate share of the burden does not fall on any group of banks. These new flows of bank credit will of course have to be distributed in a satisfactory way among borrowing countries.

In addition to bank financing there are two other elements which would be important parts of an adequate financing package for developing countries. The IMF must be provided ample resources to perform its functions. As a multilateral official institution the IMF is uniquely equipped to examine the policies of borrowing countries and make recommendations. For its recommendations to have any effect, the IMF must have assurances of sufficient resources so that it is in the borrowing country's interest to accept the IMF's policy guidance.

A final element of an adequate financing network involves a source

of funds which can be utilized on short notice when there are problems affecting major borrowers, or liquidity problems affecting banking institutions. Central banks, and in some cases Treasuries or Finance Ministries, are institutionally in the best position to provide such funding. Recent experience with credit packages to major borrowers suggests that these coordinated official actions can have an important stabilizing impact on international markets. I would hasten to add that such financing is not intended to be a longer-term source of funding, but is of a temporary or bridging nature until longer-term solutions can be worked out and implemented. I would also note that use of this type of official funding would generally be done on a very selective basis where failure of the borrower to perform threatens the international financial system.

Having sketched out a response for the immediate situation, I would also like to comment briefly on developing a more stable long-run environment to avoid recurrence of these problems. In order not to overpromise, I must state that a fully risk-free international or domestic environment is not attainable.

The major elements of a reduced risk international environment would appear to me to be better and more stable economic policies in both developed and developing countries. While this may seem a bit of a platitude to some, there are lessons that we have learned in the seventies that should guide us into the future. We have learned that over the long run little is gained from inflation and that the costs of fighting inflation increase dramatically as it becomes more deeply imbedded in our economic system. Developing countries, I believe, have learned that they cannot sustain rates of growth of external borrowing that exceed the growth of their economies or

exports over a long period of time. On a more technical level, developing countries have also learned more about the costs of overvalued exchange rates and disequilibrium levels of domestic interest rates which induce private capital outflows in a period when a country may be borrowing heavily abroad. Finally, we have usually analyzed the costs of trade protection in terms of higher domestic prices and reduced consumer choice. The recent experience has taught us that an additional cost of restricting trade is to make it more difficult for many borrowing countries to achieve a growth of export earnings needed to service their outstanding debts.

As mentioned earlier, a contribution to greater long-run stability can be made by the IMF, which as a regular matter consults on the economic policies of its member countries. While the IMF has no direct leverage over a country's economic policies unless that country is applying for IMF credit, countries increasingly are respecting the technical capabilities of the IMF and may become more responsive to its opinions even if they are not seeking access to credit. The desire to stay in the good graces of the IMF will become especially important as more countries realize that at some future date they may wish to borrow from the Fund, particularly if the Fund has adequate resources to be a credible lender. Finally, the IMF is exploring more ways to improve the flow of statistical information on all countries, a step that should improve the environment in which international lending decisions are made.

Banks also should learn from this experience and rethink their role in international lending. Bank managements need to monitor and control country risk more carefully, and pay more attention to analysts within their banks. Indeed it is important for major banks to have country analysts that

do not have marketing responsibilities. Large concentrations of country exposure should be reviewed very carefully because large concentrations of any kind can result in problems for a bank. Banks which are participants in loan syndications with no other direct contact or collateral business with the borrower should review the expected returns to participations closely, and if the returns are not satisfactory, participations should not be undertaken simply to increase total assets of the bank.

Finally, bank regulatory agencies in the United States and abroad must review their supervisory policies on country risk. The agreement by the Governors of the G-10 countries and Switzerland that country risk must be reviewed and supervised on a consolidated basis is a necessary development in this area.

Bank regulatory authorities cannot and should not become international country-rating agencies. Their expertise in this area is not necessarily greater than expertise lodged at commercial banks. Bank regulators can and should review bank portfolios to encourage diversification and to comment on heavy concentrations in general, and especially in cases where the bank does not have some special expertise or is not enjoying some important commercial advantage from having the large concentration. Banks enjoy deposit insurance on a wide range of their liabilities and have access to liquidity support at the discount window. Both of these factors give banks important advantages over other lenders in competing for funds. Because of these advantages, and because of the importance of a smoothly-functioning payments mechanism, it seems reasonable indeed that regulators play a role in monitoring, analyzing, and commenting upon any international or domestic risks which might threaten the position of their banks.

In the United States, as part of the process of reviewing the U.S. participation in the increased IMF quotas, the Federal bank regulators have been working with Congress to develop a statutory and regulatory framework for an improved longer-term environment for international lending by U.S. banks. The major elements of that new environment are: (1) tightened supervision of the foreign exposures of U.S. banks, including more frequent and forceful comments on large international exposures; (2) more frequent and more timely public disclosure of large concentrations of country risk of U.S. banks which should result in better market surveillance of their activities; (3) adjustment to the accounting conventions for increased spreads and fees that result from reschedulings which should make banks more careful, and it is hoped price more accurately, credits in which rescheduling is a possibility; and (4) some reserve provisions for troubled international credits which should make the banks reported earnings and assets conform more closely to economic realities, and act as a further caution to banks to restrain commitments, or demand higher compensation, for credits where there is a chance that a rescheduling or restructuring will be needed.

In developing this new framework U.S. regulators were aware of the need to balance the longer-term objective of setting the appropriate signals and incentives for banks to engage international lending against the need to avoid excessive restraint in the short-run where such restraint could threaten the stabilization packages being put together for major borrowers. I understand that other countries are also reviewing their supervisory procedures to improve their surveillance and to avoid situations of competitive inequities favoring lending by banks chartered in a particular country.

The conclusion one can draw from this brief overview is that the international financial system in which banks are operating has changed considerably in recent years, and that all participants are in the process of adapting their behavior to that change. The changed environment, while necessary to avoid the more serious consequences of continued unrestrained inflation, has imposed serious costs on all participants. The challenge for the immediate future is for all participants in the system to recognize their long-term interests in a stable, but certainly not risk-free, system and to adapt their own behavior in such a manner that the transition can occur as a relatively orderly and well-managed process. The management of this process presents important challenges to macroeconomic policy to maintain the gains that have been made in combating inflation while at the same time allowing sufficient economic growth to permit servicing of outstanding debts, or in some cases restructuring of debt on terms that are acceptable to both borrowers and lenders. Agencies charged with responsibility for regulating banks must adjust their policies to ensure development of an appropriate environment for international bank lending. While these challenges are formidable and will require considerable coordination, there appears to be a very reasonable chance of a successful outcome in light of the growing awareness and understanding of the problem at hand.

Table 1

Percentage Change in Consumer Price Index
(Fourth Quarter over Fourth Quarter in Previous Year)

<u>Year</u>	<u>Country</u>							<u>GNP Weighted Change in CPI in 6 Major Foreign Countries (Percent)</u>
	<u>U.S.</u>	<u>Canada</u>	<u>France</u>	<u>Germany</u>	<u>Italy</u>	<u>Japan</u>	<u>U.K.</u>	
1973	8.3	9.1	8.3	7.2	11.6	15.0	10.3	10.7
1974	12.2	12.0	15.0	6.5	24.8	23.9	18.2	16.9
1975	7.4	10.2	9.9	5.5	11.4	9.2	25.3	10.7
1976	5.1	5.9	10.0	3.8	21.1	9.4	14.9	9.8
1977	6.5	9.1	9.2	3.7	15.1	6.3	13.1	8.1
1978	9.0	8.7	9.5	2.3	11.5	3.9	8.1	6.1
1979	12.8	9.5	11.5	5.4	17.7	4.9	17.3	9.2
1980	12.5	11.1	13.6	5.3	21.4	7.4	15.3	10.5
1981	9.6	12.3	14.1	6.5	18.4	4.1	11.9	9.3
1982	4.5	9.7	9.5	4.7	16.6	2.9	6.2	6.7

Table 2
Financing of Non-OPEC Developing Countries' Current Account Deficits
 (billions of dollars)

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u> ^{e/}
1. Balance on goods, services and private transfers	-11	-31	-39	-26	-22	-37	-54	-76	-93	-81
2. Official transfers	5	7	7	7	8	8	12	12	13	12
3. Current account	<u>-6</u>	<u>-24</u>	<u>-32</u>	<u>-19</u>	<u>-14</u>	<u>-29</u>	<u>-42</u>	<u>-64</u>	<u>-80</u>	<u>-68</u>
Financed by:										
4. Direct investment	4	5	5	5	5	6	8	8	11	8
5. Borrowing from official sources (excluding IMF)	5	7	11	9	11	12	14	18	18	19
6. Borrowing from banks	9	16	19	18	11	22	37	43	48	24
7. IMF credit (net)	--	2	2	2	--	-1	0	2	5	5
8. Misc. and residual	-4	-4	-6	-4	-2	5	-7	-7	-6	3
9. Net accumulation (-) or reduction (+) in official reserves <u>1/</u>	-8	-2	1	-11	-11	-15	-10	0	4	9

1/ Excluding changes due to fluctuations in the value of gold or to the allocation of SDRs.

e/ estimate.

Table 3

Selected Data for Non-OPEC Developing Countries

<u>Year</u>	<u>Growth Rate OECD (percent)</u>	<u>Growth Rate Developing Countries (percent)</u>	<u>of which: Western Hemisphere (percent)</u>	<u>Gross External Debt (billions of dollars)</u>	<u>Debt to Foreign Banks (billions of dollars)</u>	<u>Total Reserves minus gold (billions of dollars)</u>	<u>Debt Service to Exports (percent)</u>
1973	6.1	6.7	8.4	110 <u>1/</u>	35 <u>1/</u>	26.1	15.3
1974	0.7	5.6	6.9	135 <u>1/</u>	50 <u>1/</u>	28.2	15.9
1975	-0.2	4.2	3.1	165	62.7	27.2	17.9
1976	4.8	6.6	5.5	200	80.9	38.2	16.8
1977	3.8	5.4	5.0	250	94.3	49.9	17.3
1978	4.0	5.6	4.5	310	131.3	64.6	22.0
1979	3.1	5.0	6.7	365	171.0	74.7	21.9
1980	1.2	4.7	6.0	430	210.2	74.4	20.0
1981	1.4	2.3	-0.1	505	253.5	69.9	23.1
1982	-0.2	0.8	-1.5	555 e	275 e	60.6	27.7 e

1/ The estimates for these years were done without the benefit of BIS-reported bank lending data, which are only available beginning in 1975.

e = estimate.

Table 4

Claims on Non-OPEC Developing Countries:
Country Exposure Lending Survey Data for Nine Largest U.S. Banks
 (billions of dollars)

Date	Total Foreign Claims	Claims on Non-OPEC De- veloping Countries	Reporting Banks' Total Assets	Reporting Banks' Total Capital	Claims on Non-OPEC Developing Countries as a percent of:	
					Total Assets	Total Capital
1977 December	132.7	30.0	372.5	18.4	8.1	163
1978 June	135.9	31.0	390.2	19.0	8.0	164
December	147.3	33.4	422.5	20.0	7.9	176
1979 June	151.8	35.0	449.8	21.1	7.8	166
December	168.2	39.9	486.1	21.9	8.2	182
1980 June	17;6.7	41.9	508.4	23.0	8.2	182
December	186.1	47.9	531.0	24.0	9.0	199
1981 June	196.0	51.6	553.7	25.0	9.3	206
December	205.0	57.6	564.6	26.1	10.2	220
1982 June	209.5	60.3	566.3	27.1	10.6	222
December	205.3	64.2	588.0	29.0	10.9	221

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Source: Semi-annual Country Exposure Report and Report of Condition.